

Star BUSINESS

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A close look at Asian performance: Citigroup's economics takeout (Sept 2006)

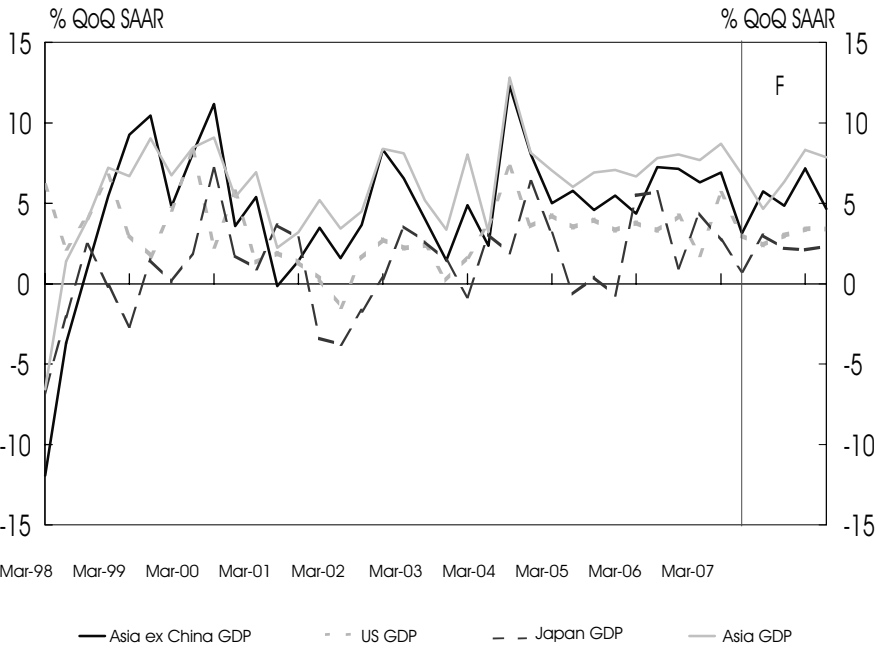
Asia Investor Checklist		
(CONTINUED FROM SEPT 8)		
Key underlying assumptions behind our forecasts	Confidence	Citigroup comments
Singapore		
Increasing domestic demand resilience reduces the vulnerability to external demand	+	The pharmaceutical, wealth advisory and property sectors are increasingly playing a greater role in supporting the economy
Improving bilateral ties with Malaysia	+	A possible opening of the Kuala Lumpur-Singapore air route, which is under study, could facilitate greater win-win cross-border business flows
Domestic demand resilience and upside inflation risk trigger a more hawkish MAS	—	Favourable inflation developments suggest that the MAS will likely continue to resist excessive trade-weighted SGD strength
Taiwan		
Political uncertainties may affect a recovery in confidence	—	President Chen faces growing pressure to step down
Steady, but not strong, rising consumer spending	●	Consumption is supported by employment and wealth gains, but faces the constraint of subdued income growth and consumer card debt problems
A favourable trade surplus is supportive of growth, but the contribution is likely to moderate as domestic demand gradually recovers	●	We expect a modest export uptrend despite a moderating global outlook and tech demand. A recovery in capital good demand and moderating output expansion suggest better imports
Thailand		
Downside risk to the current account deficit	+	Favourable export prospects and a tourism recovery ought to hike the potential for a return to a current account balance in 2007
Unresolved political elections	+	A prudent policy environment, strong exports and resilient markets help to counter the political risk premia. Prolonged uncertainty that delays public investment will reduce fiscal stimulus
MPC's rate pause is likely to extend for the remainder of the year	+	Clear signals of a forthcoming recession and/or delayed public investment in 2007 could sponsor a policy rate cut in 2007

Vietnam	
High inflation subsides on a mix of monetary tightening and easing supplyside pressure	●
Recent fuel price hike will exert pressure on headline inflation, but easing loan growth should contain medium-term inflation risk	
Vietnam to enter WTO by 2006	+
Vietnam and the US signed a bilateral trade agreement that will pave the way for Vietnam's entry into the WTO	
An improving external payment position limits depreciation pressure on the Vietnamese dong	+
A gentle VND depreciation trend appears intact, but a sustained increase in external reserves underscores growing appreciation pressure on the VND	

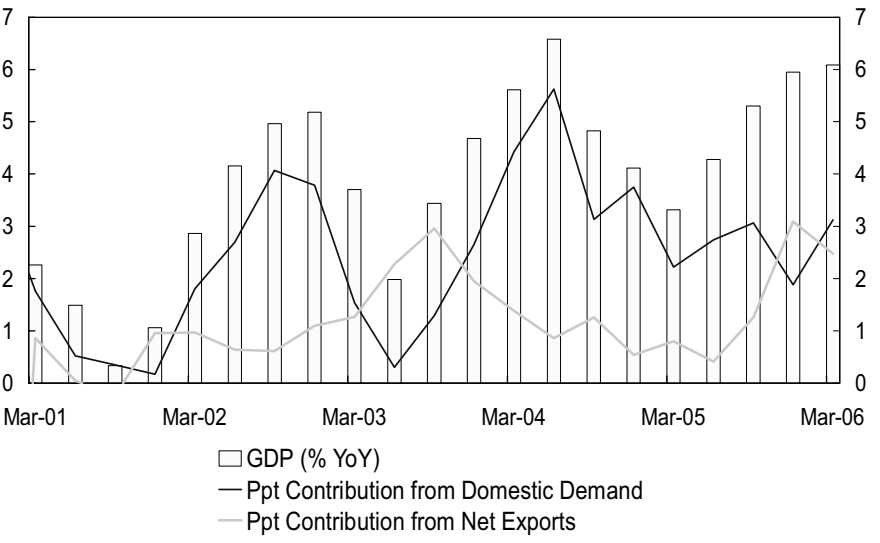
Note: Movement in Confidence Level reflects present assessment versus last month.  
Source: Citigroup estimates.

Asia Chart Summary

Asia ex-Japan GDP growth expected to moderate as exports cool and interest rate and fuel increases bite

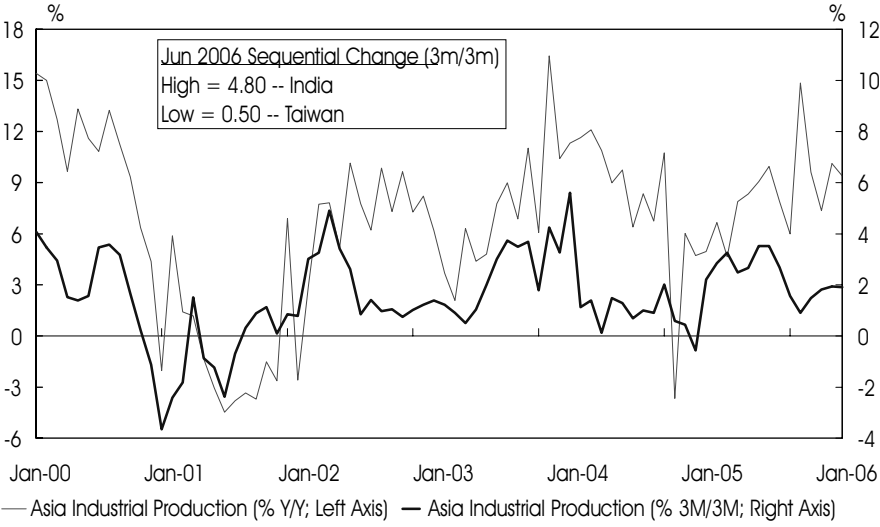


Asia's recent economic recovery largely due to external demand



Note: Asia Pacific ex-China, India and Vietnam

A slowdown will likely be more apparent in coming months, especially in electronic production



Source: Citigroup calculations based on data collected by CEIC Data Company Limited.

(TO BE CONTINUED)

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